

FORM
2

Rev
08/13

State of Colorado

Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



Document Number:

400588306

APPLICATION FOR PERMIT TO:

☒ Drill ☐ Deepen ☐ Re-enter ☐ Recomplete and Operate

Date Received:

04/17/2014

TYPE OF WELL OIL ☒ GAS ☐ COALBED ☐ OTHER _____

Refilling ☐

ZONE TYPE SINGLE ZONE ☒ MULTIPLE ZONES ☐ COMMINGLE ZONES ☐

Sidetrack ☐

Well Name: SRC MARKHAM

Well Number: C-16-9NHZ

Name of Operator: SYNERGY RESOURCES CORPORATION

COGCC Operator Number: 10311

Address: 20203 HIGHWAY 60

City: PLATTEVILLE

State: CO

Zip: 80651

Contact Name: Paul Gottlob

Phone: (720)420-5747

Fax: ()

Email: paul.gottlob@iptenergyservices.com

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20090043

WELL LOCATION INFORMATION

QtrQtr: SENW Sec: 16 Twp: 4N Rng: 68W Meridian: 6

Latitude: 40.313926

Longitude: -105.010267

Footage at Surface: 2440 feet FNL/FSL FNL 2099 feet FEL/FWL FWL

Field Name: WATTENBERG

Field Number: 90750

Ground Elevation: 4963

County: WELD

GPS Data:

Date of Measurement: 02/24/2014 PDOP Reading: 1.2 Instrument Operator's Name: Aaron A. Demo

If well is ☐ Directional ☒ Horizontal (highly deviated) **submit deviated drilling plan.**

Footage at Top of Prod Zone: FNL/FSL FNL/FWL Bottom Hole: FNL/FSL FNL/FWL
2196 FNL 1360 FEL 460 FNL 1360 FEL
Sec: 16 Twp: 4N Rng: 68W Sec: 9 Twp: 4N Rng: 68W

LOCATION SURFACE & MINERALS & RIGHT TO CONSTRUCT

Surface Ownership: ☒ Fee ☐ State ☐ Federal ☐ Indian

The Surface Owner is: ☒ is the mineral owner beneath the location.

(check all that apply) ☒ is committed to an Oil and Gas Lease.

☒ has signed the Oil and Gas Lease.

☐ is the applicant.

The Mineral Owner beneath this Oil and Gas Location is: ☐ Fee ☒ State ☐ Federal ☐ Indian

The Minerals beneath this Oil and Gas Location will be developed by this Well: No

The right to construct the Oil and Gas Location is granted by: oil and gas lease

Surface damage assurance if no agreement is in place:

Surface Surety ID:

LEASE INFORMATION

Using standard QtrQtr, Sec, Twp, Rng format, describe one entire mineral lease that will be produced by this well (Describe lease beneath surface location if produced. Attach separate description page or map if necessary.)

ALL, Sec. 9, T4N, R68W & N/2, Sec. 16, T4N, R68W.

Sec. 9 is all Fee. 3/4 of the N/2 of Sec. 16 is Fee. Only the E/2 of NE/4 of Sec. 16 is State Land Board Minerals #2486.12.

Total Acres in Described Lease: 960 Described Mineral Lease is: ☐ Fee ☒ State ☐ Federal ☐ Indian

Federal or State Lease # 2486.12

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 460 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 1068 Feet
Building Unit: 1068 Feet
High Occupancy Building Unit: 5280 Feet
Designated Outside Activity Area: 5280 Feet
Public Road: 2017 Feet
Above Ground Utility: 1887 Feet
Railroad: 5280 Feet
Property Line: 215 Feet

INSTRUCTIONS:

- All measurements shall be provided from center of the Proposed Well to nearest of each cultural feature as described in Rule 303.a.(5).
- Enter 5280 for distance greater than 1 mile.
- Building - nearest building of any type. If nearest Building is a Building Unit, enter same distance for both.
- Building Unit, High Occupancy Building Unit, and Designated Outside Activity Area - as defined in 100-Series Rules.

DESIGNATED SETBACK LOCATION INFORMATION

Check all that apply. This location is within a: ☐ Buffer Zone
☐ Exception Zone
☐ Urban Mitigation Area

- Buffer Zone – as described in Rule 604.a.(2), within 1,000' of a Building Unit
- Exception Zone - as described in Rule 604.a.(1), within 500' of a Building Unit.
- Urban Mitigation Area - as defined in 100-Series Rules.

Pre-application Notifications (required if location is within 1,000 feet of a building unit):

Date of Rule 305.a.(1) Urban Mitigation Area Notification to Local Government: _____

Date of Rule 305.a.(2) Buffer Zone Notification to Building Unit Owners: _____

SPACING and UNIT INFORMATION

Distance from Completed Portion of Wellbore to Nearest Wellbore Permitted or Completed in the same formation: 3281 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 460 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): _____ Unit Number: _____

SPACING & FORMATIONS COMMENTS

Spacing Unit: ALL, Sec. 9, T4N, R68W & N/2, Sec. 16, T4N, R68W = 960 acres.

OBJECTIVE FORMATIONS

| Objective Formation(s) | Formation Code | Spacing Order Number(s) | Unit Acreage Assigned to Well | Unit Configuration (N/2, SE/4, etc.) |
|------------------------|----------------|-------------------------|-------------------------------|--------------------------------------|
| NIOBRARA | NBRR | | 960 | GWA |

DRILLING PROGRAM

Proposed Total Measured Depth: 13977 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 1199 Feet (Including plugged wells)

Will a closed-loop drilling system be used? Yes

Is H₂S gas reasonably expected to be encountered during drilling operations at concentrations greater than or equal to 100 ppm? No (If Yes, attach an H₂S Drilling Operations Plan)

Will salt sections be encountered during drilling? No

Will salt based (>15,000 ppm Cl) drilling fluids be used? No

Will oil based drilling fluids be used? No

BOP Equipment Type: ☒ Annular Preventor ☐ Double Ram ☐ Rotating Head ☐ None

GROUNDWATER BASELINE SAMPLING AND MONITORING AND WATER WELL SAMPLING

Water well sampling required per Rule 318A

DRILLING WASTE MANAGEMENT PROGRAM

Drilling Fluids Disposal: OFFSITE Drilling Fluids Disposal Methods: Land application

Cuttings Disposal: OFFSITE Cuttings Disposal Method: Other

Other Disposal Description:

Drilling Fluids & Cuttings will be off-site at Land Application locations to be determined - a permitted location will be in place prior to use.

Beneficial reuse or land application plan submitted? No

Reuse Facility ID: _____ or Document Number: _____

CASING PROGRAM

| Casing Type | Size of Hole | Size of Casing | Wt/Ft | Csg/Liner Top | Setting Depth | Sacks Cmt | Cmt Btm | Cmt Top |
|-------------|--------------|----------------|-------|---------------|---------------|-----------|---------|---------|
| SURF | 12+1/4 | 9+5/8 | 36 | 0 | 550 | 290 | 550 | 0 |
| 1ST | 8+3/4 | 7+0/0 | 26 | 0 | 6921 | 599 | 6921 | 3000 |
| 1ST LINER | 6+1/8 | 4+1/2 | 11.6 | 6721 | 13977 | | | |

☒ Conductor Casing is NOT planned

DESIGNATED SETBACK LOCATION EXCEPTIONS

Check all that apply:

- ☐ Rule 604.a.(1)A. Exception Zone (within 500' of Building Unit)
- ☐ Rule 604.b.(1)A. Exception Location (existing or approved Oil & Gas Location now within a Designated Setback as a result of Rule 604.a.)
- ☐ Rule 604.b.(1)B. Exception Location (existing or approved Oil & Gas Location is within a Designated Setback due to Building Unit construction after Location approval)
- ☐ Rule 604.b.(2) Exception Location (SUA or site-specific development plan executed on or before August 1, 2013)
- ☐ Rule 604.b.(3) Exception Location (Building Units constructed after August 1, 2013 within setback per an SUA or site-specific development plan)

GREATER WATTENBERG AREA LOCATION EXCEPTIONS

Check all that apply:

- ☒ Rule 318A.a. Exception Location (GWA Windows).
- ☐ Rule 318A.c. Exception Location (GWA Twinning).

RULE 502.b VARIANCE REQUEST

- ☐ Rule 502.b. Variance Request from COGCC Rule or Spacing Order Number _____

OTHER LOCATION EXCEPTIONS

Check all that apply:

- ☐ Rule 318.c. Exception Location from Rule or Spacing Order Number _____
- ☒ Rule 603.a.(2) Exception Location (Property Line Setback).

ALL exceptions and variances require attached Request Letter(s). Refer to applicable rule for additional required attachments (e.g. waivers, certifications, SUAs).

OPERATOR COMMENTS AND SUBMITTAL

Comments

This application is in a Comprehensive Drilling Plan _____ CDP #: _____

Location ID: _____

Is this application being submitted with an Oil and Gas Location Assessment application? _____ Yes

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: _____ Print Name: Paul Gottlob

Title: Regulatory & Eng. Tech. Date: 4/17/2014 Email: paul.gottlob@iptenergyservices

Based on the information provided herein, this Application for Permit-to-Drill complies with COGCC Rules and applicable orders and is hereby approved.

COGCC Approved: _____ Director of COGCC Date: _____

Expiration Date: _____

API NUMBER

05

Conditions Of Approval

All representations, stipulations and conditions of approval stated in the Form 2A for this location shall constitute representations, stipulations and conditions of approval for this Form 2 Permit-to-Drill and are enforceable to the same extent as all other representations, stipulations and conditions of approval stated in this Permit-to-Drill.

COA Type

Description

| | |
|--|--|
| | |
|--|--|

Best Management Practices

No BMP/COA Type

Description

| | | |
|---|--|--|
| 1 | Planning | Multi-well Pads. It is a multi-well pad located in a manner which allows for resource extraction while maintaining the highest distances possible from the offsetting residential areas. |
| 2 | Traffic control | Access roads. The access road will be constructed to accommodate local emergency vehicles. This road will be maintained for access at all times. |
| 3 | General Housekeeping | Fencing requirements. A permanent fencing plan will be reviewed by the surface owner, & the applicant. |
| 4 | General Housekeeping | Removal of surface trash. All trash, debris and material not intrinsic to the operation of the oil and gas facility shall be removed and legally disposed of as is applicable. |
| 5 | Material Handling and Spill Prevention | Leak Detection Plan. Pumper will visit the location daily and visually inspect all tanks and fittings for leaks. Additionally, monthly documented SPCCP inspections are conducted pursuant to 40 CFR §112. |

| | | |
|----|--|--|
| 6 | Material Handling and Spill Prevention | Berm construction. Tank berms shall be constructed of steel rings with a synthetic or engineered liner and designed to contain 150% of the capacity of the largest tank. All berms will be visually checked periodically to ensure proper working condition. |
| 7 | Material Handling and Spill Prevention | Load-lines. All load-lines shall be bull-plugged or capped. |
| 8 | Material Handling and Spill Prevention | Tank specifications. Tanks will be designed, constructed and maintained in accordance with NFPA Code 30. The tanks are visually inspected once a day for issues, and recorded inspections are conducted once a month. |
| 9 | Noise mitigation | Lighting abatement measures shall be implemented, including the installation lighting shield devices on all of the more conspicuous lights, low density sodium lighting where practicable; and rig shrouding is not believed necessary as this is an industrial area and the only building unit within 1,000' is owned by the operator, however, at its election the operator may install temporary engineering controls consisting of perimeter sound walls shall be used on the location during drilling and completion activities to provide noise relief. Permanent equipment on location shall be muffled to reduce noise, or shall be appropriately buffered. |
| 10 | Drilling/Completion Operations | Closed Loop Drilling Systems – Pit Restrictions. Not applicable; a closed-loop system will be used for drilling. |
| 11 | Drilling/Completion Operations | Green Completions – Emission Control Systems. Test separators and associated flow lines and sand traps shall be installed on-site to accommodate Green completions techniques pursuant to COGCC Rules. In the anticipated absence of a viable gas sales line, the flow-back gas shall be thermally oxidized in an emissions control device (ECD), which will be installed and kept in operable condition for least the first 90-days of production pursuant to CDPHE rules. This ECD shall have an adequate capacity for 1.5 times the largest flow-back within a 10 mile radius, will be flanged to route gas to other or permanent oxidizing equipment and shall be provided with the equipment needed to maintain combustion where non-combustible gases are present. |
| 12 | Drilling/Completion Operations | Blowout preventer equipment (“BOPE”). A double ram and annular preventer will be used during drilling. At least the drilling company shall have a valid well blowout prevention certifications. |
| 13 | Drilling/Completion Operations | BOPE for well servicing operations. Adequate BOP equipment shall be used. Stabbing valves shall be installed in the event of reverse circulation and shall be prior tested with low and high pressure fluid. |
| 14 | Drilling/Completion Operations | Pit level indicators. Not applicable; a closed-loop system will be used and no pits shall be dug. |
| 15 | Drilling/Completion Operations | Drill stem tests. Not applicable; no Drill Stem tests are planned. |
| 16 | Drilling/Completion Operations | Control of fire hazards. All materials which are considered fire hazards shall be a minimum of 25' from the wellhead tanks or separators. Electrical equipment shall comply with API RP 500 and will comply with the current national electrical code. An emergency response plan has been generated for this site. |
| 17 | Drilling/Completion Operations | Guy line anchors. All guy line anchors shall be brightly marked pursuant to Rule 604.c (2)Q. |
| 18 | Final Reclamation | Well site cleared. Within 90-day subsequent to the time of plugging and abandonment of the entire site, superfluous debris and equipment shall be removed from the site. |
| 19 | Final Reclamation | Identification of plugged and abandoned wells. P&A'd wells shall be identified pursuant to 319.a.(5). |

Total: 19 comment(s)

Applicable Policies and Notices to Operators

Notice Concerning Operating Requirements for Wildlife Protection.

Attachment Check List

| <u>Att Doc Num</u> | <u>Name</u> |
|--------------------|----------------------------|
| 400588306 | FORM 2 SUBMITTED |
| 400590812 | OffsetWellEvaluations Data |
| 400590835 | DIRECTIONAL DATA |
| 400590841 | DEVIATED DRILLING PLAN |
| 400590845 | EXCEPTION LOC REQUEST |
| 400590850 | EXCEPTION LOC WAIVERS |
| 400590853 | 30 DAY NOTICE LETTER |
| 400592412 | WELL LOCATION PLAT |
| 400598422 | EXCEPTION LOC WAIVERS |
| 400598638 | PROPOSED SPACING UNIT |

Total Attach: 10 Files

General Comments

| <u>User Group</u> | <u>Comment</u> | <u>Comment Date</u> |
|-------------------|---|-------------------------|
| Permit | Returned to draft. The SUA is still missing. The spacing unit shows all the wells. Asked operator to attach the spacing unit for the individual well. Preferably on a plat with the spacing unit outlined where one can see the footages | 4/24/2014 2:07:20 PM |
| Permit | Returned to draft. Minerals should be State, not Fee. Missing SUA. Distance to Building is greater than distance to Building Unit. Casing program is incomplete: stops at 7250'. Distance to property line is more than 150'. No waiver is required and exception box should be unchecked. First attachment labeled "Offset Well Evaluation" is list of water wells. Needs to be removed. Second attachment labeled "Offset Well Evaluation" is a drawing of the pad. Needs to be removed. Plats of the two sections must be on one attachment. Exception Location Request letter citing 350' setback is out of date. Needs to be removed. Corrected attachments labeled Directional Data to Deviated Drilling Plan and Multi-Well Plan. Corrected Exception Location Request attachment to Exception Location Waiver. Missing Exception Location Request for Rule 318A.a. Missing Proposed Spacing Unit attachment. | 4/18/2014 2:19:10 PM |

Total: 2 comment(s)